

MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



9.20

During the oral communication section of the agenda for Tuesday, September 28, 2010, Garry Grant spoke regarding redevelopment and Flood Control issues.

**ATTACHMENTS FILED WITH
CLERK OF THE BOARD**

**AGENDA NO.
9.20**

Riverside County supervisors seek support for measure aimed at curbing 'unsustainable' pension costs

measure

The Valley News • www.myvalleynews.com • September 24, 2010

Tim O'Leary
Valley News staff

None of the five Riverside County supervisors will be vying for re-election on Nov. 2. Instead, they will scramble for voter permission to tackle "unsustainable" pension costs that could squeeze operating funds over the next decade or more.

"It looks like we can't dodge, hide or minimize the issue any longer," Supervisor Bob Buster said during a recent board meeting. "We have to pass the bill, or it will smother us."

Buster recently met individually with local newspaper reporters to spotlight a very difficult issue that was fueled by a drop in investment returns and a sharp rise in unfunded liabilities. Buster also noted his off-the-clock involvement with a group of business and government leaders who hope to raise money for signs, brochures and possibly other political campaign measures.

Buster is a Riverside-area citrus grower whose sprawling district includes Lake Elsinore, Wildomar, De Luz and other communities along or near Interstate 15.

The unfolding lobbying effort has its roots in the May certification of a ballot measure sought by the Riverside Sheriffs' Association. Association members collected signatures to place Measure L on the ballot because of concerns that the county would alter their pension formula by creating a tiered benefit system.

The association's "Public Safety & Taxpayer Protection Act of 2010" would make voter approval mandatory for any adjustment to the deputies' retirement benefits. It would bar the Board of Supervisors from making any adjustments to deputies' retirement benefits without the approval of a majority of county voters.

Buster and John Benoit drafted Measure M, a competing measure that would make it possible for voters to approve or reject increases in public safety employees' retirement benefits, while leaving it to the board to decide on decreases.

Both proposals would preserve pre-retirement death benefits for widows and children.

Association officials have countered the need for changes to their

pension formula. President Pat McNamara said in an interview that public safety employees comprise a small percentage of the county workforce - 3,500 out of 18,600 - and the current retirement system should not be altered because of a "purported (financial) crisis."

"Our objective is to make sure that, with the county's political climate and the economy, the knee-jerk reaction isn't to harm workers and their families," McNamara said.

The Pension Reform Advisory Committee report - the product of several months of work by union representatives, county managers and residents - revealed that although the parties couldn't agree on a lot, actuarial assumptions point to steadily increasing pension costs that must be addressed.

Data shows the county's pension contributions may double in the next decade, from roughly \$155 million this year to around \$306 million in 2020. With an unfunded pension liability of more than \$700 million, reforms are needed for the county's long-term fiscal health, county officials said.

The portion of the public safety pension costs that is currently unfunded totals \$194 million, according to a county report.

The rising liabilities would come as the county reels from a 26 percent drop in its investment returns over the past three years and a nearly 25 percent reduction in operating funds. The decline in a state pension program has been blamed on the recession, falling property values and other economic factors.

"It's a huge amount, and it's not coming back any time soon," Buster said in a recent interview.

Pension reform has surfaced as a major issue in states, counties and dozens of cities. The San Diego Union-Tribune newspaper recently reported that about 10 of the 18 cities in that county have tinkered with pension contributions in the past year. The amount of annual pension payments made to retired civil servants has also been cast into a public spotlight.

On Aug. 27, California Gov. Arnold Schwarzenegger penned a lengthy opinion piece in The Wall



County Supervisor Bob Buster

Courtesy photo

Street Journal. It stated, in part, that: "California simply cannot solve its budget problems without addressing government-employee compensation and benefits."

Buster stressed that Riverside County is just one of many government agencies that are snared by the same dilemma.

"It's a matter of statewide concern," he said.

Buster said county officials worry that growing pension costs will eat away at their ability to provide fire protection, police patrols, animal control and court services. If unchecked, the portion of the county budget that goes to pension costs could grow from about 28 percent this year to 33 percent in 2016, a report shows.

Buster said he fears rising pension costs could result in more deputies being paid through the retirement system than are being paid for patrolling streets and investigating crime.

"When will the time come when the taxpayers are paying more in pension costs than for active employees delivering vital services to the county?" he asked.

Submitted by

9/28/10

(date)

Item

Garry Grant
ord comm

The financial difficulty could spill over to cities that contract with the county for law enforcement services, Buster said. That's because pension costs are factored into the cities' annual contracting fees, which were increased up earlier this year.

Temecula, Menifee, Wildomar, Lake Elsinore, Canyon Lake, Perris and many other cities in the county contract from law enforcement services.

Retaining the ability to change pension formulas for new employees could save \$16 million to \$80 million over a 10-year period, according to a county report.

The county offers a "3 percent at 50" pension to public safety personnel and a "3 percent at 60" pension to other workers. The formulas base compensation on 3 percent of the average of the three highest-paid years of an employees' career, multiplied by the number of years on the job.

A county report indicates that a public safety employee who retired after 30 years of service would receive 90 percent of their highest year's salary. Under the formula, a top-ranked sheriff's deputy could receive an annual pension of \$107,518 and a captain could net \$153,213 annually, according to a county report.

A former under sheriff currently receives a \$195,000 a year pension, the report said.

Public safety workers are eligible to begin collecting benefits at age 50, while other workers are eligible at 60. The benefits are invested and paid from the California Public Employees Retirement System, or CALPERS.

Buster said that formula was negotiated eight years ago with little public scrutiny, concerns or comments.

A "second-tier" retirement system has been proposed, combining the defined-benefit plan now in place for all employees — guaranteeing a fixed payment for life — with a defined-contribution formula that would require new hires to invest a portion of their earnings directly toward their own retirement, in the form of a 401k or similar plan.

Buster said he would support reforms along with continued county control of its pension formula. He said he would support a change in state law that would allow greater public scrutiny of the labor union negotiations process.

"I think opening up this process to the public would help a lot," he said.

County unemployment rate stays flat at 15.3 percent

The unemployment rate in Riverside County was little changed last month at 15.3 percent.

The county's non-seasonally-adjusted jobless rate in August, based on preliminary estimates, slipped a tenth of a percentage point — from 15.4 percent — in July, according to the California Economic Development Department.

The rate was 14.6 percent in August 2009.

An estimated 139,700 county residents were out of work last month, compared to 140,700 in July, figures showed.

The combined unemployment rate for Riverside and San Bernardino counties was 14.8 percent, compared to 15.1 percent in July, according to the EDD.

The region's unemployment rate — when compared to other metropolitan areas of one million or more residents — is second in the nation behind Detroit, Redlands-based economist John Husing told Lake Elsinore business and government leaders last week.

Data for Riverside and San Bernardino counties showed the farm sector sustained the steepest losses, shedding 2,300 positions as seasonal demand for field workers dampened.

An estimated 1,400 jobs were lost in the leisure and hospitality industry. However, around 1,000 new positions were added to payrolls in the professional and business services sector, as well as 500 new jobs in construction, and an equal number in health services, according to figures.

The total size of the civilian labor force in Riverside and San Bernardino counties in August was 1,772,600, with 261,800 unemployed.

The unemployment rate in San Diego County dropped to 10.6 percent in August, down from a revised 10.9 percent the previous month, according to the state agency. That county's unemployment rate in August of last year was 10.3 percent.

The seasonally adjusted unemployment rate in Los Angeles County increased to 12.6 percent in August, up from a revised 12.4 percent in July, the agency reported. Los Angeles County's 12.6 percent unemployment rate was above the 12.1 percent rate in August 2009.

The state's jobless rate last month was 12.4 percent, and the national unemployment rate was 9.6 percent.

Supervisors' own benefits an issue in pension reform

RIVERSIDE COUNTY: As elected officials debate possible cuts for future retirees, some of them stand to accrue six-figure payouts.

BY DUANE W. GANG
THE PRESS-ENTERPRISE

Riverside County supervisors, currently grappling with pension reforms, themselves have decades of combined service and will receive substantial retirements when they leave the board.

Supervisor Bob Buster is in his 17th year on the board and served eight years on the Riverside City Council before that.

Supervisor John Tavaglione has 18½ years in the California Public Employees' Retirement System.

Board Chairman Marion Ashley has 19 years in CalPERS — more than 10 as an Eastern Municipal

Water District board member and 8½ as a supervisor.

The three are old enough to retire now and receive pension benefits that in some cases could top six figures.

"Some of us could be over \$100,000 if we retired today," said Buster, a leading proponent of pension reform in Riverside County.

Riverside County supervisors are debating changes to the retirement system that would provide newly hired workers a lower benefit as a way to save the county money. Gov. Arnold Schwarzenegger is pushing for statewide pension reform.

The county has thousands of retirees currently receiving pension benefits, including dozens who receive more than \$100,000 a year. Those high pensions — and similar ones elsewhere in the state — showcase what many see as an unsustainable pension system and are being used to boost calls for reform.

The county has \$6.12 billion in pension liabilities for all its employees and retirees. Of that, \$800 million remains unfunded. Annual pension payments are expected to increase annually.

GAUGING RETIREMENT

The amount each supervisor will receive in retirement benefits depend on how many years they will have in CalPERS and their final-year salary, among other factors.

CalPERS is a statewide pension system governments can participate in to

fund and pay retirement benefits. The agency would not release specific figures, such years of service, for each supervisor. A CalPERS spokesman said those records by law are confidential.

Currently, county supervisors earn \$143,031 a year. None of the supervisors' other benefits, such as a \$550-per-month car allowance, count toward their retirement pay, county spokesman Ray Smith said.

But in a supervisor's final year, the county's 8 percent employer contribution into CalPERS is added to the base pay in order to calculate how much in retirement each would receive, Smith said. It's a practice that dates as far back as the 1940s, he said.

In other words, if a supervisor were to retire today, his annual pension would be based on a final-year salary of \$154,474.

Supervisors are eligible to receive 3 percent of their pay for each year of service and can retire at age 60. The formula increased in July 2002 from 2 percent at age 55. The year before, the formula for public-safety employees changed from 2 percent at age 50 to 3 percent at age 50.

Under the current formula, Buster, age 66, with 25 years of credits in CalPERS, could receive as much as \$115,000 a year.

Buster said he has retirement credits for his time on the board and Riverside City Council and for working as a lifeguard for Los Angeles County. He also purchased credits for his service in the military.

Public employees can personally buy credits in CalPERS for service in the military, which is not part of the state retirement system.

Tavaglione said he has 15½ years on the board, plus a year on the Riverside City Council and two years in the U.S. Army. He bought two years' worth of credits in CalPERS for about \$5,000 to \$6,000, he said.

Tavaglione, 62, and Ashley, 74, potentially could receive more than \$80,000 a year.

Supervisor Jeff Stone is in his fifth year on the board and served 12 years on the Temecula City Council. But at age 54, Stone is not eligible to receive pension benefits for another six years.

Supervisor John Benoit, appointed last year and elected to a full four-year term in June, is not participating in CalPERS as a board member. Instead, he is part of a 401(a) retirement sav-

ings plan, Smith said.

Benoit, 58, a retired California Highway Patrol officer, already receives \$100,647 a year in pension benefits through CalPERS.

PENSION TENSION

Buster has been an outspoken proponent of pension reform, including calls for reduced benefits for newly hired sheriff's deputies. He has said the current system is unsustainable and can make retirees millionaires.

As a result, he also has taken the brunt of criticism from the Riverside Sheriff's Association, the union representing deputies.

RETIREMENT BENEFITS

Riverside County pension benefits are based on years of service, final-year pay and age, among other factors.

EMPLOYEES are eligible for 3 percent of their final pay for each year of service. Public-safety employees can start collecting at age 50 and other workers at age 60.

A 25-YEAR EMPLOYEE earning \$100,000 in his or her final year would receive \$75,000 in annual pension benefits.

A 30-YEAR EMPLOYEE earning \$100,000 would receive \$90,000 in pension benefits each year.

In a July message on Facebook, union President Pat McNamara said the average sheriff's deputy retires with a \$35,000-a-year pension.

"So, if rank and file employees factually only receive a very modest pension when they retire, to what does Mr. Buster refer when he uses the word 'generous' in describing Riverside County pensions?" McNamara wrote.

"Perhaps he is describing the benefits that he himself will receive upon his own retirement, which will easily exceed \$100,000 annually."

In an interview, McNamara accused Buster of spreading misinformation, a reason the union has criticized him and not the other supervisors, who also are calling for pension reform.

Only a small number of deputies will work 30 years and receive 90 percent of their final pay, McNamara said.

The union is backing a ballot measure that would require a public vote to increase or decrease public-safety pensions.

"We don't want to see young deputies and their families harmed because of all of the political pressure coming to bear on all these elected officials," he said.

Buster said he is fully vested in the retirement system.

PENSIONS

CONTINUED FROM A1

"I could have not run for re-election (in 2008) and retired and gotten a fairly substantial pension, and not try to work and reform the system," he said in an interview. "For my trouble, I have been the butt of RSA."

Buster last week proposed that supervisors begin paying half of any future increases in their own pension costs as a way to curb costs and set an example to employee unions.

SUPERVISORS' VIEWS

Tavaglione and Ashley, the other supervisors who could retire today with pensions, said their retirements should have no bearing on whether they vote to change the current system.

"The current formulas are no longer sustainable. They must be changed at some point in the future," Tavaglione said by e-mail.

Ashley, the board's chairman, said supervisors should consider Buster's proposal to begin paying part of any increase in their own pension costs.

But he said it's "hogwash" for critics to suggest that supervisors are hypocritical to look at changing a system from which they benefit.

"Trouble is, you can't think that way," Ashley said. "We are the only guys here. None of us, nobody is doing this for the money. I am 75 years old next month."

Ashley said voters elected supervisors to make the difficult decisions that safeguard tax dollars into the future.

"We are not going to go and put a blight on public service," Ashley said. "We are going to take care of our folks but want to do it in a responsible, reasonable way."

Reach Duane W. Gang at 951-368-9547 or dgang@PE.com

As portfolio sank, CalPERS gave six-figure bonuses, pay raises

BY CATHY BUSSEWITZ
THE ASSOCIATED PRESS

SACRAMENTO — As its investment portfolio was losing nearly a quarter of its value, the country's largest public pension fund doled out six-figure bonuses and substantial raises to its top employees, an analysis by The Associated Press has found.

Board member Tony Olivera said the California Public Employees' Retirement System tried to reduce the bonuses but was under contractual obligations to pay them.

CalPERS' plunging value came as stock values tumbled around the world, the state's economy suffered its worst decline in decades and basic state services faced severe budget cuts.

Virtually all of CalPERS' investment managers were awarded bonuses of more than \$10,000 each, with several earning bonuses of

more than \$100,000 during the 2008-09 fiscal year. The cash awards were distributed as the fund lost \$59 billion.

Steve Deutsch, director of pensions and endowment at Morningstar Inc., said many public pension plans award performance bonuses, and called CalPERS' performance during 2008-09 "middle of the road."

"It's absolutely very widespread, but very low profile in terms of being acknowledged, discussed, or disclosed by the plans," Deutsch said.

CalPERS spokesman Brad Pacheco said bonuses are based on the fund's performance over five years, not just the year immediately preceding the bonus, in order to encourage managers to seek long-term investments rather than short-term gains. He said bonuses in the 2008-09 fiscal year were 50 percent lower than in 2006-07 and that the market declines will

continue to dampen bonuses in future years.

"Incentives are part of total compensation and critical to the fund's long-term success as well as recruitment and retention of skilled investment professionals," Pacheco said in an e-mail.

Bonuses also were paid to employees who are not part of the fund's investment team, including a public affairs officer who received bonuses of nearly \$19,000 a year two years in a row and a human resources executive who received bonuses topping \$16,000 both years.

The number of CalPERS executives making \$200,000 a year or more rose from 13 to 15 over the two-year period. Those employees received an average salary raise of 12 percent and an average bonus of \$115,705 in the 2007-08 fiscal year and \$63,311 in 2008-09, according to the AP's inquiry into CalPERS compensation.

**Riverside County Board of Supervisors
Request to Speak**

Submit request to Clerk of Board (right of podium),
Speakers are entitled to three (3) minutes, subject
Board Rules listed on the reverse side of this form.

SPEAKER'S NAME: GARRY GRANT

Address: 27068 JARVIS ST
(only if follow-up mail response requested)

City: PERRIS **Zip:** 92570

Phone #: 951-657-9319

Date: SEPT 28TH 010 **Agenda #** PUBLIC Com.

PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:

Support **Oppose** **Neutral**

Note: If you are here for an agenda item that is filed
for "Appeal", please state separately your position on
the appeal below:

Support **Oppose** **Neutral**

I give my 3 minutes to: _____

BOARD RULES

Requests to Address Board on "Agenda" Items:

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

Requests to Address Board on items that are "NOT" on the Agenda:

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

Power Point Presentations/Printed Material:

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

Individual Speaker Limits:

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. **Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.**

Group/Organized Presentations:

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

Addressing the Board & Acknowledgement by Chairman:

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.